



Determination of the Competition Authority

Determination No. M/03/011 of the Competition Authority, dated 13 June 2003, under Section 21 of the Competition Act, 2002

Notification No. M/03/011 – General Electric Company/Crompton Corporation

Introduction

1. On 16 May 2003 the Competition Authority, in accordance with Section 18(1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby General Electric Company would acquire the silicones business of Crompton Corporation.

The Parties

2. General Electric Company (“GE”) is an independent public company registered in the USA. It is a diversified corporation active in a wide range of fields, including polymers, plastics and speciality materials. In Europe, GE is active in the silicones sector through GE/Bayer, a joint venture with Bayer AG.
3. Crompton Corporation (“Crompton”) produces and markets polymer products and speciality chemicals, including standard and speciality silicone fluids.

Analysis

Product Market

4. In Case 1162 - GE/Bayer, 11 June 1998, the European Commission noted that whilst from the demand-side the silicones sector would comprise thousands of "micro markets" according to the specific applications for which the silicones are used, supply-side considerations would lead to a regrouping into wider product categories. On this basis, whilst declining to define precisely the markets concerned the Commission noted that the five product groups offered by the parties - intermediates, fluids, specialities, elastomers, sealants - were recognised in the industry to analyse silicones and were sufficient to assess the impact of the transaction in question.
5. The Commission’s analysis is a useful starting point for the purposes of analysing the impact of this proposal and thus, on the basis of this product grouping, the only relevant overlaps between GE and Crompton occur in fluids and specialities.

Geographic Market

6. The Commission further considered that “in view of the absence of barriers to trade, the low impact of transport costs the purchase patterns of customers, the homogeneity of price levels and the substantial intra-community trade flows, the narrowest conceivable market would be the EU.”



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7. It is not necessary to make a final determination on whether the relevant geographic market is that of Ireland or some wider European market as, either way, the effect of the proposed transaction will not be to substantially lessen competition in any market in the State.

Fluids

8. Standard silicone fluids (“fluids”) are generally acquired by industrial customers for use in their end products, examples: textiles, shampoos, hydraulic fluids. Customers make their purchasing decisions according to the viscosity of the silicone and related performance properties sought. Fluids are also purchased by other parties who formulate them into speciality silicone fluids (“specialities”).
9. GE/Bayer’s shares of the supply of fluids in Europe and in Ireland are estimated by the parties to be []% and []% respectively. Crompton []; its share of the supply of fluids in Europe is estimated to be []%. In Europe, fluids are produced by a number of multinational competitors that operate on a worldwide scale. These large competitors are comparable to GE in terms of their presence and share of the supply of fluids in Europe. Irish customers typically purchase fluids directly from the manufacturer’s European base. The proposed transaction will not negatively affect Irish customers’ access to fluids.

Specialities

10. Specialities are more highly processed, higher value-added silicone fluids; they are generally more difficult to produce and more expensive. Specialities are sold either as a finished product to customers or as partly finished products to customers that further process or blend the specialities for sale to third parties.
11. GE/Bayer’s shares of the supply of specialities in Europe and in Ireland are estimated by the parties to be []% and []% respectively. Crompton’s shares of the supply of specialities in Europe and in Ireland are estimated by the parties to be []% and []% respectively. In Europe, specialities are produced by a number of multinational competitors that operate on a worldwide scale. These large competitors are comparable to GE in terms of their presence and share of the supply of specialities in Europe. Irish customers typically purchase specialities directly from the manufacturer’s European base. The proposed transaction will not negatively affect Irish customers’ access to specialities.



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Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Terry Calvani
Member of the Competition Authority

13 June 2003